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June 10, 2014

E-FILE

Hon. Robert E. Grossman
United States Bankruptcy Court
Southern District of New York
One Bowling Green
New York, New York 10004-1408

Re: In re Signature Apparel Group LLC
Chapter 11, Case No. 09-15378 (REG)
Signature Apparel Group LLC v. ROC Fashions, LLC
Adv. Pro. No. 11-02800 (REG)
Response to Responsible Person's Motion For
Approval of Settlement with ROC Defendants and
In Connection with the Conference of June 17, 2014

Dear Judge Grossman:

The undersigned firm represents Christopher Laurita, Joseph Laurita, Jacqueline Laurita and Adeline Laurita in connection with claims relating to several licenses held by Signature Apparel Group ("Signature" or the "Company"), a company owned by Joseph ("Joe") and Christopher ("Chris") Laurita, (collectively, the "Lauritas")[1], for the Rocawear women's and teens' clothing line. This letter is submitted in connection with the Responsible Person's motion to approve a settlement with the ROC Defendants (as defined in the Motion) in order to set the record straight with respect to certain allegations in the moving papers that have been made by the Responsible Person in support of the settlement with the ROC defendants, as well as in connection with the settlement conference scheduled for the same date, to request that this Court direct the Responsible Person to conduct good faith settlement negotiations with the Lauritas.

In essence, the Responsible Person seeks approval for a settlement with the ROC Defendants on the basis that litigation is inherently uncertain and sometimes wasteful, that collection *vis a vis* the ROC Defendants is equally uncertain and that a compromise or a

[1] The Lauritas are defendants in a related adversary proceeding pending in this Chapter 11 case entitled Signature Apparel Group LLC v. Joseph Laurita, Christopher Laurita, Adeline Laurita, Jacqueline Laurita and Anthony Laurita, ("Laurita defendants") Adv. Pro. No. 10-4207 (REG) (the "Laurita Action).

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settlement is accordingly desirable and appropriate. Those same factors should compel settlement negotiations with the Laurita Defendants. Nevertheless, the Responsible Person has refused to engage in meaningful negotiations with the Laurita Defendants.[2]

In the culmination of the "perfect storm" created by the economic convulsions of the 2008-2009 period, Signature found its orders plummeting, its customers disappearing, and its debts, both to its licensor Iconix Brand Holdings, Inc. ("Iconix") and its suppliers in China, ballooning. Thus, by August 2009, the Company lost its factor CIT, which itself was insolvent, owed millions of dollars to its suppliers, and millions of dollars to its licensor Iconix, from whom it held a license for the Rocawear line. By letter dated August 14, 2009, Iconix formally advised Signature that it was in default of its license and that unless the default was cured within ten days, such license was subject to termination. Signature desperately attempted to find investors to save the company. On August 28, 2009 Iconix emailed Chris Laurita confirming that, "so long as your discussions with CIT and Ruby Azrak or Li & Fung are continuing in good faith, Iconix agrees to extend the cure period to September 4, 2009 at noon EST". On September 4, 2009, three of Signature's Chinese suppliers filed an involuntary bankruptcy against Signature, thus effectively ending all attempts to save the Company.

Contrary to the Responsible Person's claims of a "conspiracy" (See motion at ¶25 et seq.), the evidence indicates that in an attempt to work out payment to the Chinese suppliers, who had filed the involuntary proceeding, and to emerge from the involuntary bankruptcy, Iconix, through its attorneys, the Creditors Committee, through its attorneys Olshan Grundman Frome Rosenzweig & Wolosky LLP, ("Olshan"), ROC Fashions, LLC ("ROC"), through its attorneys, all agreed that ROC be issued the Rocawear license by Iconix. The license would have been worthless to everyone had the license remained in limbo and had the stores not been supplied with the merchandise. On September 15, 2009, a new license agreement was signed between Studio IP Holdings, LLC ("Studio IP") and ROC which gave ROC the Rocawear license. The agreement was signed with the consent of the Creditors Committee, its attorneys, and other parties involved. The Lauritas were not involved in the new agreement.

Given the facts, and the current endorsement by the Responsible Person of a potential settlement with the ROC defendants, it is incomprehensible that the Responsible Person **has refused** to engage in any good faith settlement negotiations with the Laurita defendants. This despite the fact that his case is uncertain and the Laurita defendants are struggling to recover from the financial reverses caused by the bankruptcy filing and the ongoing litigation, which continues to drain their resources.[3]

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[2] A one-day mediation with all parties in April, 2013 was a dismal failure. Since then, it has been difficult if not impossible to engage the Responsible Person's attention.

[3] It is public record that there are a number of judgments and tax liens against Chris and Jacqueline Laurita, and Joe and Adeline Laurita have no assets and are judgment proof.

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Despite the relatively broad discretion to settle which is permitted to a trustee, it is the interests of the Estate and the creditors which are paramount. In this case, where the Responsible Person's attorneys have taken more than a dozen depositions and served numerous interrogatories, document requests, and notices to admit, it is noteworthy that they have refused to respond to our inquiries as to the assets of the Estate, characterizing them as a "litigation" tactic, while spending freely on legal fees and disbursements in pursuit of worthless judgments.

The Responsible Person's refusal to engage in settlement negotiations with the Laurita Defendants is not in keeping with the responsibility of a bankruptcy fiduciary to act in good faith in the disposition of a debtor's assets. The fiduciary duty of a trustee or responsible person requires that he manage debtor's assets and responsibilities from the most responsible business perspective available. The Responsible Person failed to fulfill this duty when he refuses to discuss a settlement with the Laurita defendants. Accordingly, we respectfully request that the factors enumerated by the Responsible Person, in seeking to enter into the ROC Defendants, also mandate that the Responsible Person enter into good faith negotiations with the Laurita defendants.

Sincerely,

Aurora Cassirer

AC/jg

cc: Michael S. Fox, Esq.
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